



DEPARTMENT OF THE NAVY  
OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
2000 NAVY PENTAGON  
WASHINGTON, D.C. 20350-2000

IN REPLY REFER TO  
PR-05-3  
Ser N801/003  
24 Oct 02

MEMORANDUM FOR DISTRIBUTION

Subj: PR-05 REVIEW OF INITIATIVES FOR COST REDUCTION AND  
EFFECTIVENESS IMPROVEMENT (CREI)

1. Purpose.

- a. To issue guidance for Resource Sponsors, SYSCOMs and Claimants concerning initiatives to reduce operating and procurement costs and improve effectiveness in PR-05.
- b. To call for initiatives to reduce operating and procurement costs and improve effectiveness, and to identify and recognize existing ones in the PR-05 process. These initiatives are similar to those labeled "Total Ownership Cost (TOC) reduction," "Smart," "Smart Work," Logistics Engineering Change Proposals (LECP), and NAVAIR Affordable Readiness.

2. Background.

- a. The CREI process goals are to support quality, corporate-level decisions and to provide positive incentives for resource sponsor and claimant participation. Initiatives are submitted with the intent to fulfill at least one of the CREI objectives of cost reduction, workload reduction, readiness/performance improvement and quality of life/service enhancement.
- b. Resource Sponsors shall review each initiative that fulfills all requirements of this data call. Initiatives that demonstrate, relative to the other initiatives within each objective category, significant cost reduction (as measured by internal rate of return, net present value, payback period and risk evaluation), workload reduction (measured by total man-years saved, value of saved man-years, and FYDP average annual man-years), readiness/performance enhancement (measured by mean time between failure/maintenance, percent mission capable or partial mission capable, and C-rating), and quality of life/service improvement (measured by qualitative assessment, user/fleet priority, and initiative uniqueness) should be given priority for funding.

Subj: PR-05 REVIEW OF INITIATIVES FOR COST REDUCTION AND  
EFFECTIVENESS IMPROVEMENT (CREI)

c. CREI initiatives, which Resource Sponsors choose not to fund, will be prioritized by the Resource Sponsor and submitted to N80 for potential funding.

d. Initiatives funded in previous budget cycles, as well as those added during PR-04, are posted on the N8 web site (<https://ucso2.hq.navy.mil/n8>) under the CREI folder in the Public Library. From the N8 website, select "Public Library", click "CREI", click "CREI funded issues as of October 2002".

3. Action.

a. CREI Council. The CREI Council will review a summary of both funded and unfunded CREI issues. The Council members are:

N8B	DASN(PP&R) (RDA)	ADCS(P&R) (RP)	N4B	N7B
-----	------------------	----------------	-----	-----

b. N80, N81.

(1) N80 will issue CREI guidelines to Navy activities, including OPNAV Resource Sponsors and Fleet Commanders, for submission of cost reduction and effectiveness improvement initiatives. This PR-05 Serial constitutes the data call.

(2) N80, along with N81, will prepare a brief to CREI Council summarizing both funded and unfunded CREI issues within the respective funding cycle.

c. Resource Sponsor Responsibilities.

(1) Evaluate initiatives identified for potential inclusion in PR-05. Initiatives that demonstrate high potential in those characteristics identified in paragraph 2 should be given priority for funding. Resource Sponsors will ensure that the SYSCOMS conduct an assessment of costs, returns and risks. The Fleets should work directly with the Resource Sponsors and in liaison with CFFC to assign priority to each initiative under their area of responsibility.

(2) Identify in the SPP, which CREI PR-05 cost reduction and effectiveness improvement initiatives are funded, which are not funded, and the reason(s) why.

(3) Submit the top 20 unfunded CREI issue packets (along with prioritization) to Captain Jim Smithers at

Subj: PR-05 REVIEW OF INITIATIVES FOR COST REDUCTION AND  
EFFECTIVENESS IMPROVEMENT (CREI)

smithers.Samuel@hq.navy.mil. These packets are due the same day  
SPPs are submitted to N80.

(4) The sponsors will retain savings from CREI initiatives they fund in their SPPs. Sponsors should develop similar gain sharing arrangements with the Fleet and non-Fleet claimants to encourage further development of CREI initiatives.

(5) Resource Sponsors are responsible for "tagging" initiatives when entering them into the WINPAT database. Failure to "tag" cost reduction and effectiveness improvement initiatives will result in that initiative and Resource Sponsor not receiving credit or recognition for that initiative. To "tag" a CREI initiative, the issue placed in WINPAT or PBIS must have a Smart Work Category placed in the HII (High Interest Item) field. The following HII categories shall be used:

SM - Smart Manning: Smarter personnel policies and workload reduction through manpower reapplication, effective recruiting and retention incentives, and training improvements.

CL - Capital for Labor: Low cost/high return investments to reduce weapon system ownership burdens, and application of smart technology to relieve manpower demands.

TM - Tools, Materials, and Working Conditions: Initiatives and improvements that reduce workload, increase operational efficiency, and provide quality of life in the shore-based infrastructure.

II - Information Investments: Initiatives to ensure the information demands of conducting our everyday business are met reliably and with less labor-intensive processes.

d. Submitting Office Responsibilities.

(1) Submit initiative proposals to the appropriate Resource Sponsor (electronic submission preferred). The format used for submissions is at the purview of the Resource Sponsor. The NAVAIR PR-05 CREI templates posted on the N8 website are recommended. To obtain the NAVAIR templates connect to the N8 website (<https://ucso2.hq.navy.mil/n8>), select "Public Library", select "CREI", select "PR-05 CREI templates". Fleet initiatives should include non-ACAT programs.

(2) Ensure that the costs, returns and risks have been accurately completed and submitted for all initiatives.

Subj: PR-05 REVIEW OF INITIATIVES FOR COST REDUCTION AND  
EFFECTIVENESS IMPROVEMENT (CREI)

4. Miscellaneous.

a. Organizations initiating the submittal of cost reduction and effectiveness improvement proposals under this data call must identify and maintain for a minimum of three (3) years following funding approval verifiable source documentation for their initiatives. Source documentation may be requested by N80 on a case-by-case basis.

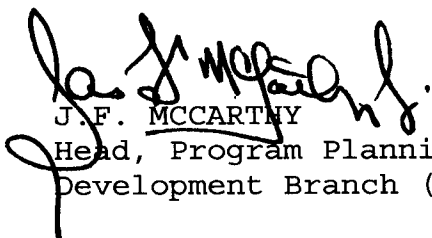
b. Initiatives with multiple Resource Sponsors will have a "Lead Sponsor" identified who will then act as the spokesman for the proposed initiative. The process for submittal will be the same as for initiatives submitted with a single sponsor. The Lead Sponsor will be responsible for disseminating all information concerning the initiative to "secondary" resource sponsors. Savings from CREI initiatives funded by the multiple Resource Sponsors will be allocated based on funding percentages.

5. PR-05 CREI Schedule.

**2003**

February	Submit CREI proposals to Resource Sponsor.
March	Unfunded CRE Issues to N80
April	T-POM Due
June	CREI Council meets.

6. Questions or comments regarding database or WINPAT/PBIS entries may be directed to CAPT Jim Smithers (N801R), (703) 614-9016, mail to: [smithers.samuel@hq.navy.mil](mailto:smithers.samuel@hq.navy.mil). General procedure and policy question may be directed to CDR Paul Flood (703) 695-5752, mail to [flood.paul@hq.navy.mil](mailto:flood.paul@hq.navy.mil).

  
J.F. MCCARTHY  
Head, Program Planning and  
Development Branch (N801)

Distribution:

A6	CMC (P&R, only)
21A1	CINCLANTFLT (Code N80, N801 and N4, only)
21A2	CINCPACFLT (Code N80, N801, N83, and N4, only)
CNO	(N1, N2, N3/N5, N4, N6, N7, N8, N81, N82, N7, N74, N75, N76, N77, N78, N79, N09B, N09N, N091, N093, N095, N096)
FKA1A	COMNAVAIRSYSCOM (AIR-7.6.3, only)

Subj: PR-05 REVIEW OF INITIATIVES FOR COST REDUCTION AND  
EFFECTIVENESS IMPROVEMENT (CREI)

FKA1C COMNAVFACENGCOM (FAC-FM, MCN, PW, only)  
FKA1F COMNAVSUPSYSCOM (SUP-012, only)  
FKA1G COMNAVSEASYSKOM (SEA-01, SEA-03, 0411, 08H, only)

Copy to:

A1 Immediate Office of the Secretary (AAUSN, ASN(FMC),  
ASN(I&E), ASN(M&RA), ASN(RD&A) (PEOs & DRPMs)), GC, only)  
A2A DoN Staff Offices (OPA, ONR (Code 08), only)  
A5 CHNAVPERs (Pers-02, Pers-7, only)  
B2A Defense Systems Management College (Code SE-B), only)  
21A3 CINCUSNAVEUR (Code N-81 and 015, only)  
21A4 Naval Forces Command Central Command (Code N8, N80, only)  
23B2 COMNAVSPCWARCOM (Code N8) (only)  
23C COMNAVRESFOR (Code N312, N8, only)  
41A COMSC (Code N11, N8, N913, only)  
C4EE CNA (Mr. Swartz)  
D2A NCCA  
FD1 COMNAVMETOCCOM (Code N-412, only)  
FE1 COMNAVSECGRU (Code N80, only)  
FF32 FLDSUPPACT (Code 212A, only)  
FF44 NAVWARCOL (Code 013), only)  
FG1 COMNAVCOMTELKOM  
FH1 BUMED (MED-01, only)  
FJA10 NAVMAC  
FJB1 COMNAVCRUITCOM (Code 0141, only)  
FKA8F DIRSSP (Code 132, 163, only)  
FKQ6C NCCOSC RDTE DIV (Code 163, only)  
FN1 COMNAVSPACECOM  
FT1 CNET  
FS1 ONI  
V12 MCCDC  
CNO (N00A, N00K, N00N, N09A, N09BC, N09B2E2, N09N1, N120,  
N122, N20, N201, N4J, N51, N512A, N514, N6E, N71, N8JB,  
N80B, N80D, N81B, N811, N812, N813R, N801, N804, N821,  
N822, ,N701, N76R, N763, N765, N769, N771, N772, N779,  
N78C, N78R, N78W, N780, N781, N782, N785, N789, N091M,  
N911, N931, N958, N960)